

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates, PSC, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates, PSC, evaluated the LaRue County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

June 30, 2006

Simon, Underwood & Associates, PSC has completed the audit of the LaRue County Fiscal Court for fiscal year ended June 30, 2006. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

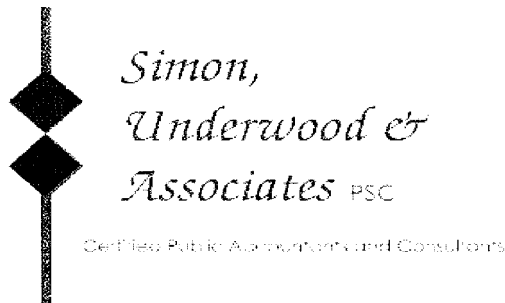
Financial Condition:

The fiscal court had net assets of \$8,790,999 as of June 30, 2006. The fiscal court had unrestricted net assets of \$672,864 in its governmental activities as of June 30, 2006, with total net assets of \$8,777,908. In its enterprise fund, total net cash and cash equivalents were \$13,091 with total net assets of \$13,091. Total debt principal as of June 30, 2006 was \$2,448,064 with \$280,360 due within the next year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
LARUE COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS.....	39
NOTES TO FINANCIAL STATEMENTS.....	42
BUDGETARY COMPARISON SCHEDULES	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	64
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	67
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	71
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	75



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaRue County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2006 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Simon, Underwood & Associates PSC

Simon, Underwood & Associates, PSC
Certified Public Accountants and Consultants

Louisville, Kentucky
November 21, 2006

LARUE COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Tommy Turner	County Judge/Executive
William Bryan Durham	Magistrate
Johann Pat Eastridge	Magistrate
Peggy B. Hawkins	Magistrate
Edward Scotty Lee	Magistrate

Other Elected Officials:

Dale Morris	County Attorney
Ralph Mac Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
George Bertram	Coroner

Appointed Personnel:

Lauralene Reed	County Treasurer
Renee Strock	Finance Officer
Kathy Oveson	Administrative Assistant
Tommy Rosel	Road Supervisor
Clara Mae Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 877,867	\$ 13,091	\$ 890,958
Receivable From Lincoln Museum	40,000		40,000
Total Current Assets	917,867	13,091	930,958
Noncurrent Assets:			
Receivable - Long Term	205,000		205,000
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,107,499		1,107,499
Buildings	4,374,721		4,374,721
Other Equipment	482,767		482,767
Vehicles and Equipment	256,623		256,623
Infrastructure Assets - Net of Depreciation	3,881,495		3,881,495
Total Noncurrent Assets	10,308,105		10,308,105
Total Assets	11,225,972	13,091	11,239,063
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	145,360		145,360
General Obligation Bonds Payable	85,000		85,000
Revenue Bonds Payable	50,000		50,000
Total Current Liabilities	280,360		280,360
Noncurrent Liabilities:			
Financing Obligations Payable	607,704		607,704
General Obligation Bonds Payable	1,330,000		1,330,000
Revenue Bonds Payable	230,000		230,000
Total Noncurrent Liabilities	2,167,704		2,167,704
Total Liabilities	2,448,064		2,448,064
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,860,041		7,860,041
Restricted For:			
Debt Service - Lincoln Museum	245,000		245,000
Debt Service	3		3
Unrestricted	672,864	13,091	685,955
Total Net Assets	\$ 8,777,908	\$ 13,091	\$ 8,790,999

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,338,747	\$ 79,213	\$ 489,177	\$ 137,570
Protection to Persons and Property	1,580,866	1,356,558	140,740	
General Health and Sanitation	108,475			
Social Services	58,564			
Recreation and Culture	81,517			
Roads	678,591		603,397	
Debt Service	128,760			
Total Governmental Activities	<u>3,975,520</u>	<u>1,435,771</u>	<u>1,233,314</u>	<u>137,570</u>
Business-Type Activities:				
Jail Canteen	152,185	151,309		
Total Business-Type Activities	<u>152,185</u>	<u>151,309</u>		
Total Primary Government	<u>\$ 4,127,705</u>	<u>\$ 1,587,080</u>	<u>\$ 1,233,314</u>	<u>\$ 137,570</u>

General Revenues:

Taxes:

 Real Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (632,787)	\$	\$ (632,787)
(83,568)		(83,568)
(108,475)		(108,475)
(58,564)		(58,564)
(81,517)		(81,517)
(75,194)		(75,194)
(128,760)		(128,760)
(1,168,865)		(1,168,865)
	(876)	(876)
	(876)	(876)
\$ (1,168,865)	\$ (876)	\$ (1,169,741)
605,054		605,054
94,717		94,717
283,967		283,967
72,124		72,124
48,498	137	48,635
98,405		98,405
1,202,765	137	1,202,902
33,900	(739)	33,161
8,744,008	13,830	8,757,838
\$ 8,777,908	\$ 13,091	\$ 8,790,999

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 866,334	\$	\$ 11,530	\$ 3	\$ 877,867
Total Assets	<u>\$ 866,334</u>	<u>\$ 0</u>	<u>\$ 11,530</u>	<u>\$ 3</u>	<u>\$ 877,867</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 13,575	\$ 138,876	\$ 1,754	\$	\$ 154,205
Unreserved:					
General Fund	852,759				852,759
Special Revenue Funds		(138,876)	9,776		(129,100)
Debt Service Funds				3	3
Total Fund Balances	<u>\$ 866,334</u>	<u>\$ 0</u>	<u>\$ 11,530</u>	<u>\$ 3</u>	<u>\$ 877,867</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 877,867
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	16,597,069
Accumulated Depreciation	(6,493,964)
Receivables Reported At The Government-Wide Level Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	245,000
Long-Term Debt is Not Due and Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Financing Obligations	(753,064)
Bonded Debt	<u>(1,695,000)</u>
Net Assets Of Governmental Activities	<u>\$ 8,777,908</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 980,751	\$	\$	\$	\$ 980,751
In Lieu Tax Payments	2,987				2,987
Excess Fees	72,124				72,124
Licenses and Permits	52,813				52,813
Intergovernmental	368,865	962,451	825,501		2,156,817
Charges for Services	541,587		29,038		570,625
Miscellaneous	123,402	17,913	23,490		164,805
Interest	43,952	4,496	50		48,498
Total Revenues	<u>2,186,481</u>	<u>984,860</u>	<u>878,079</u>		<u>4,049,420</u>
EXPENDITURES					
General Government	527,294				527,294
Protection to Persons and Property	602,133		916,104		1,518,237
General Health and Sanitation	100,212				100,212
Social Services	52,345				52,345
Recreation and Culture	76,223				76,223
Roads	94,317	1,099,899			1,194,216
Debt Service	84,641		12,890	209,220	306,751
Administration	535,134	146,747	175,069		856,950
Total Expenditures	<u>2,072,299</u>	<u>1,246,646</u>	<u>1,104,063</u>	<u>209,220</u>	<u>4,632,228</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>114,182</u>	<u>(261,786)</u>	<u>(225,984)</u>	<u>(209,220)</u>	<u>(582,808)</u>
Other Financing Sources (Uses)					
Financing Obligation Proceeds	94,317				94,317
Transfers From Other Funds		259,406	409,329	209,220	877,955
Transfers To Other Funds	(668,735)		(209,220)		(877,955)
Total Other Financing Sources (Uses)	<u>(574,418)</u>	<u>259,406</u>	<u>200,109</u>	<u>209,220</u>	<u>94,317</u>
Net Change in Fund Balances	(460,236)	(2,380)	(25,875)		(488,491)
Fund Balances - Beginning	1,326,570	2,380	37,405	3	1,366,358
Fund Balances - Ending	<u>\$ 866,334</u>	<u>\$ 0</u>	<u>\$ 11,530</u>	<u>\$ 3</u>	<u>\$ 877,867</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(488,491)
--	----	-----------

Amounts Reported for Governmental Activities in the Statement of Activities
Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the
Statement of Activities the Cost of Those Assets Is Allocated Over Their
Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		809,499
Depreciation Expense		(440,159)

Payment on receivables provide current financial resources to Governmental
Funds, while at the Government-wide level, a reduction of the receivable
occurs. These transactions have no effect on net assets.

Receivable Receipts		(40,000)
---------------------	--	----------

The issuance of debt (e.g. bonds, leases) provides current financial resources
to governmental funds, while debt principal payments are expensed in the
Governmental Funds as a use of current financial resources. These
transactions, however, have no affect on net assets.

Financing Obligation Proceeds		(94,317)
Financing Obligation Payments		157,368
Bond Payments		130,000

Change in Net Assets of Governmental Activities	\$	<u>33,900</u>
---	----	---------------

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 13,091
Total Current Assets	<u>13,091</u>
Net Assets	
Unrestricted	13,091
Total Net Assets	<u><u>\$ 13,091</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 64,852
Total Operating Revenues	<u>64,852</u>
Operating Expenses	
Cost of Sales	93,546
Educational and Recreational	<u>9,682</u>
Total Operating Expenses	<u>103,228</u>
Operating Loss	<u>(38,376)</u>
Nonoperating Revenues (Expenses)	
Interest Income	137
Inmate Pay From State	8,125
Inmate Account	78,332
Inmate State Payroll	(2,035)
Inmate Refunds	(27,694)
Jail Bond and Booking Fees	(13,167)
Inmate Medical Fees	(4,387)
Miscellaneous	<u>(1,674)</u>
Total Nonoperating Revenues (Expenses)	<u>37,637</u>
Change In Net Assets	(739)
Total Net Assets - Beginning	<u>13,830</u>
Total Net Assets - Ending	<u><u>\$ 13,091</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 64,852
Cost of Sales	(93,546)
Educational and Recreational	(9,682)
Net Cash Used By	
Operating Activities	(38,376)
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	8,125
Inmate Account	78,332
Inmate State Payroll	(2,035)
Inmate Refunds on Accounts	(27,694)
Jail Bond and Booking Fees	(13,167)
Inmate Medical Fees	(4,387)
Miscellaneous	(1,674)
Net Cash Provided By Noncapital Financing Activities	37,500
Cash Flows From Investing Activities	
Interest Earned	137
Net Cash Provided By	
Investing Activities	137
Net (Decrease) in Cash and Cash Equivalents	(739)
Cash and Cash Equivalents - July 1, 2005	13,830
Cash and Cash Equivalents - June 30, 2006	\$ 13,091
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Loss	\$ (38,376)
Net Cash Used By Operating Activities	\$ (38,376)

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
STATEMENT OF NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

LARUE COUNTY
STATEMENT OF NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Agency Fund</u>
	<u>Inmate Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 3,585
Total Assets	<u>3,585</u>
Liabilities	
Amounts Held In Custody For Others	<u>3,585</u>
Total Liabilities	<u>3,585</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	42
NOTE 2.	DEPOSITS.....	48
NOTE 3.	RECEIVABLES.....	48
NOTE 4.	CAPITAL ASSETS	49
NOTE 5.	SHORT-TERM DEBT	50
NOTE 6.	LONG-TERM DEBT.....	50
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	55
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	56
NOTE 9.	DEFERRED COMPENSATION	56
NOTE 10.	INSURANCE	56
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	57

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserve for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The fiscal court has included the LaRue County Building Commission Corporation because they appoint a voting majority of the governing board and impose their will to significantly influence the activities of the commission. The financial statements of the corporation are blended with those of the LaRue County Fiscal Court.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. LaRue County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of LaRue County, Kentucky.

Additional- LaRue County Elected Officers

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: LaRue County Courthouse Improvements Bond Funds - 1998 and 1999.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds

The Road and Bridge Fund and Jail Fund are presented as special revenue funds. Special Revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

The LaRue County Courthouse Improvement Bond Funds – 1998 and 1999 are presented as debt service funds and are used to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court: LaRue County Extension Service, LaRue County Health Department, and LaRue County Library.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. LaRue County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Receivables

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln museum. Proceeds were paid directly to The Lincoln Museum, Inc. The Lincoln Museum, Inc. makes lease payments directly to the Trust to pay interest and principal of the obligation. The receivable reflects the principal amount due from The Lincoln Museum, Inc. of \$245,000 outstanding as of June 20, 2006. The receivable amount corresponds to The Lincoln Museum, Inc. outstanding liability as of the end of the fiscal year.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,107,499	\$	\$	\$ 1,107,499
Total Capital Assets Not Being Depreciated	1,107,499			1,107,499
Capital Assets, Being Depreciated:				
Buildings	8,251,167			8,251,167
Other Equipment	1,177,559	95,550		1,273,109
Vehicles and Equipment	521,468	149,630		671,098
Infrastructure	4,729,877	564,319		5,294,196
Total Capital Assets Being Depreciated	14,680,071	809,499		15,489,570
Less Accumulated Depreciation For:				
Buildings	(3,728,970)	(147,476)		(3,876,446)
Other Equipment	(714,746)	(75,596)		(790,342)
Vehicles and Equipment	(326,717)	(87,758)		(414,475)
Infrastructure	(1,283,372)	(129,329)		(1,412,701)
Total Accumulated Depreciation	(6,053,805)	(440,159)		(6,493,964)
Total Capital Assets, Being Depreciated, Net	8,626,266	369,340		8,995,606
Governmental Activities Capital Assets, Net	\$ 9,733,765	\$ 369,340	\$ 0	\$ 10,103,105

Governmental Activities:

General Government	\$ 70,453
Protection to Persons and Property	131,884
General Health and Sanitation	8,263
Social Services	6,219
Recreation and Culture	5,294
Roads, Including Depreciation of General Infrastructure Assets	<u>218,046</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 440,159</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Short-term Debt

In July 2005, LaRue County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$1,009,700, with principal being due in January 2006. While the Fiscal Court did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$4,625.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Revenue Anticipation Note	\$ 0	\$ 1,009,700	\$ 1,009,700	\$ 0	\$ 0
Governmental Activities					
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,009,700</u>	<u>\$ 1,009,700</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various interest rates for the purpose of constructing a courthouse facility (referred to herein as the "prior bonds").

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding prior bonds. Proceeds of the refunding revenue bonds were deposited into an Escrow Fund, and used to meet the scheduled principal and interest payments of the prior bonds, from January 1, 1999 through January 1, 2001 (dates inclusive). On January 1, 2001, the prior bonds were called at 103% and all outstanding prior bonds were retired using the remaining balance of the Escrow Fund.

Bond principal and interest requirements of the Jail Fund are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2007	\$ 50,000	\$ 11,480
2008	55,000	9,430
2009	55,000	7,175
2010	60,000	4,920
2011	<u>60,000</u>	<u>2,460</u>
Totals	<u>\$ 280,000</u>	<u>\$ 35,465</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

Bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 85,000	\$ 62,490
2008	85,000	59,090
2009	90,000	55,690
2010	95,000	51,910
2011	100,000	47,920
2012-2016	555,000	170,370
2017-2019	405,000	37,720
Totals	<u>\$ 1,415,000</u>	<u>\$ 485,190</u>

C. Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 10,000	\$ 3,389
2008	10,000	2,861
2009	11,000	2,307
2010	12,000	1,711
2011	12,000	1,064
2012	13,000	405
Totals	<u>\$ 68,000</u>	<u>\$ 11,737</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

D. Road Garage Property

On September 12 1997, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 27,383	\$ 8,963
2008	28,465	7,586
2009	29,591	6,136
2010	30,761	4,634
2011	31,976	3,071
2012-2013	<u>41,751</u>	<u>1,552</u>
Totals	<u>\$ 189,927</u>	<u>\$ 31,942</u>

E. Road Paving Project

On May 8, 1998 the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for paving of roads. The principal was \$300,000 at 4.5 percent interest for a period of 10 years, with interest and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 35,000	\$ 3,229
2008	<u>38,000</u>	<u>1,225</u>
Totals	<u>\$ 73,000</u>	<u>\$ 4,454</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

F. Road Equipment #2

On August 14, 2001, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of road equipment. The principal was \$66,390 at 4.67 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 2,415	\$ 20
Totals	<u>\$ 2,415</u>	<u>\$ 20</u>

G. Sheriff's Vehicles

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of two Sheriff vehicles. The principal was \$49,851 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 8,235	\$ 1,439
2008	8,487	1,022
2009	8,746	591
2010	<u>6,735</u>	<u>152</u>
Totals	<u>\$ 32,203</u>	<u>\$ 3,204</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

H. Dump Truck

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Sterling Dump Truck, salt spreader, and snow plow. The principal was \$74,617 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2007	\$ 12,327	\$ 2,154
2008	12,703	1,530
2009	13,091	884
2010	10,081	229
Totals	<u>\$ 48,202</u>	<u>\$ 4,797</u>

I. Loader

On April 18, 2006, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Rubber Tired Loader including Fork and Broon Attachments. The principal was \$94,317 at 3.69 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2007	\$ 10,000	\$ 3,655
2008	10,000	3,421
2009	15,000	2,886
2010	15,000	2,227
2011	15,000	1,567
2012	29,317	979
Totals	<u>\$ 94,317</u>	<u>\$ 14,735</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Long-term Debt (Continued)

J. The Lincoln Museum, Inc.

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln museum. These payments are to be made by The Lincoln Museum, Inc. As of June 30, 2006, the principal outstanding was \$245,000. The debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2007	\$ 40,000	\$ 12,668
2008	40,000	10,768
2009	40,000	8,828
2010	40,000	6,848
2011	40,000	4,827
2012	<u>45,000</u>	<u>2,761</u>
Totals	<u>\$ 245,000</u>	<u>\$ 46,700</u>

K. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,495,000	\$	\$ 80,000	\$ 1,415,000	\$ 85,000
Revenue Bonds	330,000		50,000	280,000	50,000
Financing Obligations	<u>816,115</u>	<u>94,317</u>	<u>157,368</u>	<u>753,064</u>	<u>145,360</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,641,115</u>	<u>\$ 94,317</u>	<u>\$ 287,368</u>	<u>\$ 2,448,064</u>	<u>\$ 280,360</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$41,252 in interest on financing obligations and \$79,220 in interest on bonds and notes.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On February 24, 2000, the LaRue County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2006, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2003. All infrastructure assets placed in service during the fiscal year ended June 30, 2004 and thereafter are recorded at actual historical cost.

Note 12. Prior Period Adjustment

Prior to fiscal year June 30, 2006, The Lincoln Museum, Inc. entered into a lease purchase agreement financing obligation in which the proceeds and debt service obligation were passed through the Fiscal Court. In prior year the corresponding receivable and financing obligation liability were omitted from the statement of net assets of governmental activities. The net effect to beginning net assets of governmental activities is \$0.

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 927,625	\$ 927,625	\$ 980,751	\$ 53,126
In Lieu Tax Payments	1,350	1,350	2,987	1,637
Excess Fees	89,400	89,400	72,124	(17,276)
Licenses and Permits	55,000	55,000	52,813	(2,187)
Intergovernmental Revenue	1,026,500	1,052,500	368,865	(683,635)
Charges for Services	446,000	446,000	541,587	95,587
Miscellaneous	41,500	41,500	75,411	33,911
Interest	43,000	43,000	43,952	952
Total Revenues	<u>2,630,375</u>	<u>2,656,375</u>	<u>2,138,490</u>	<u>(517,885)</u>
EXPENDITURES				
General Government	517,950	594,473	527,294	67,179
Protection to Persons and Property	739,025	705,852	638,783	67,069
General Health and Sanitation	588,350	619,664	100,212	519,452
Social Services	22,500	57,000	52,345	4,655
Recreation and Culture	125,000	119,200	76,223	42,977
Administration	538,950	546,586	515,134	31,452
Total Expenditures	<u>2,531,775</u>	<u>2,642,775</u>	<u>1,909,991</u>	<u>732,784</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>98,600</u>	<u>13,600</u>	<u>228,499</u>	<u>214,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(328,769)</u>	<u>(328,769)</u>	<u>(668,735)</u>	<u>(339,966)</u>
Total Other Financing Sources (Uses)	<u>(328,769)</u>	<u>(328,769)</u>	<u>(668,735)</u>	<u>(339,966)</u>
Net Changes in Fund Balance	(230,169)	(315,169)	(440,236)	(125,067)
Fund Balance - Beginning	<u>230,169</u>	<u>315,169</u>	<u>1,326,570</u>	<u>1,011,401</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,334</u>	<u>\$ 886,334</u>

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,637,850	\$ 1,637,850	\$ 962,451	\$ (675,399)
Charges for Services	2,500	2,500		(2,500)
Miscellaneous	31,500	31,500	17,913	(13,587)
Interest	2,600	2,600	4,496	1,896
Total Revenues	<u>1,674,450</u>	<u>1,674,450</u>	<u>984,860</u>	<u>(689,590)</u>
EXPENDITURES				
Roads	1,587,050	1,593,613	1,099,899	493,714
Administration	158,400	151,837	146,747	5,090
Total Expenditures	<u>1,745,450</u>	<u>1,745,450</u>	<u>1,246,646</u>	<u>498,804</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(71,000)</u>	<u>(71,000)</u>	<u>(261,786)</u>	<u>(190,786)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>56,000</u>	<u>56,000</u>	<u>259,406</u>	<u>203,406</u>
Total Other Financing Sources (Uses)	<u>56,000</u>	<u>56,000</u>	<u>259,406</u>	<u>203,406</u>
Net Changes in Fund Balance	(15,000)	(15,000)	(2,380)	12,620
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>2,380</u>	<u>(12,620)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 960,231	\$ 960,231	\$ 825,501	\$ (134,730)
Charges for Services	36,800	36,800	29,038	(7,762)
Miscellaneous	32,500	32,500	23,490	(9,010)
Interest	200	200	50	(150)
Total Revenues	<u>1,029,731</u>	<u>1,029,731</u>	<u>878,079</u>	<u>(151,652)</u>
EXPENDITURES				
Protection to Persons and Property	937,150	953,483	916,104	37,379
Debt Service	221,500	222,450	222,110	340
Administration	193,850	176,567	175,069	1,498
Total Expenditures	<u>1,352,500</u>	<u>1,352,500</u>	<u>1,313,283</u>	<u>39,217</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(322,769)</u>	<u>(322,769)</u>	<u>(435,204)</u>	<u>(112,435)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>272,769</u>	<u>272,769</u>	<u>409,329</u>	<u>136,560</u>
Total Other Financing Sources (Uses)	<u>272,769</u>	<u>272,769</u>	<u>409,329</u>	<u>136,560</u>
Net Changes in Fund Balance	(50,000)	(50,000)	(25,875)	24,125
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>37,405</u>	<u>(12,595)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,530</u>	<u>\$ 11,530</u>

LARUE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation Between Budgetary Basis and Modified Cash Basis

	<u>General Fund</u>	<u>Jail Fund</u>
<u>Revenues</u>		
Budgetary Basis	\$ 2,138,490	
Sheriff's Payments on Vehicle Lease	7,991	
Museum's Payment on Debt	40,000	
Modified Cash Basis	<u>\$ 2,186,481</u>	
<u>Expenditures</u>		
Budgetary Basis	\$ 1,909,991	\$ 1,313,283
Sheriff Vehicles Lease	7,991	
Purchase of Loader	94,317	
Miscellaneous Administrative Expenditures	20,001	
Payment on Museum Debt	40,000	
Transfer to Courthouse Improvements Bond Fund		
For Debt Service		(209,220)
Modified Cash Basis	<u>\$ 2,072,300</u>	<u>\$ 1,104,063</u>
<u>Other Financing Sources (Uses)</u>		
Budgetary Basis	\$ (668,735)	\$ 409,329
Financing Obligation Proceeds	94,317	
Transfer to Courthouse Improvements Bond Fund		(209,220)
Modified Cash Basis	<u>\$ (574,418)</u>	<u>\$ 200,109</u>
<u>Fund Balance</u>		
Budgetary Basis	\$ 886,335	
Miscellaneous Administrative Expenditures	(20,001)	
Modified Cash Basis	<u>\$ 866,334</u>	

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Bond Fund 1998	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2	\$ 1	\$ 3
Total Assets	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>
FUND BALANCES			
Unreserved:			
Debt Service Funds	\$ 2	\$ 1	\$ 3
Total Fund Balances	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006

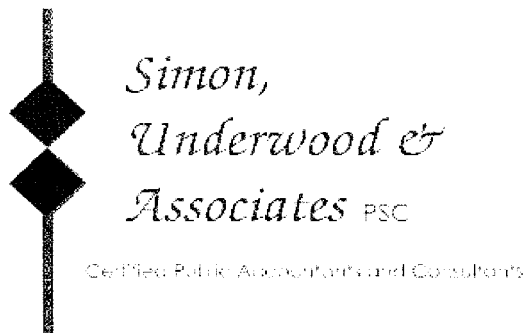
LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Bond Fund 1998	Total Non-Major Governmental Funds
REVENUES			
Total Revenues	\$	\$	\$
EXPENDITURES			
Debt Service	145,690	63,530	209,220
Total Expenditures	145,690	63,530	209,220
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(145,690)	(63,530)	(209,220)
Other Financing Sources (Uses)			
Transfers From Other Funds	145,690	63,530	209,220
Total Other Financing Sources (Uses)	145,690	63,530	209,220
Net Change in Fund Balances			
Fund Balances - Beginning	2	1	3
Fund Balances - Ending	\$ 2	\$ 1	\$ 3

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 21, 2006. LaRue County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Simon, Underwood & Associates PSC

Simon, Underwood & Associates, PSC
Certified Public Accountants and Consultants

Louisville, Kentucky
November 21, 2006

